

World Trade Outlook Indicator signals further loss of momentum in trade growth into Q4 of 2018

Trade growth is likely to slow further into the fourth quarter of 2018 according to the WTO's latest World Trade Outlook Indicator (WTOI). The most recent WTOI reading of 98.6 is the lowest since October 2016 and reflects declines in all component indices. It is below the previous value of 100.3 and falls under the baseline value of 100 for the index, signalling that trade growth in the coming months is expected to be below-trend.

World Trade Outlook Indicator 98.6
(Index, trend = 100)



Drivers of trade

	Level of Index	Direction of change
Merchandise trade volume (Q2)	101.5	→
Export orders	96.6	↓
International air freight (IATA)	100.0	↓
Container port throughput	101.2	↓
Automobile production and sales	96.9	↓
Electronic components	93.9	↓
Agricultural raw materials	97.2	↓

Source: PHD Research Bureau, compiled from WTO

The continued moderation in the overall WTOI index was driven by the steady decline in the export orders index (96.6), which remains below trend and is approaching the weakest point recorded in 2012 during the eurozone crisis. Indices for automobile production and sales (96.9), electronic components (93.9), and agricultural raw materials (97.2) have meanwhile moved from on trend to below trend. International air freight (100.0) and container port throughput (101.2) have dipped but remain on trend.

The latest results are consistent with the WTO's downgraded outlook for global trade issued in September amid escalating trade tensions and tighter credit conditions in important markets. The revised forecast anticipated trade expansion to slow to 3.9% in 2018 and 3.7% in 2019 from 4.7% in 2017.

Designed to provide "real time" information on the trajectory of world trade relative to recent trends, the WTOI is not intended as a short-term forecast, although it does provide an indication of trade growth in the near future. It aims to identify turning points and gauge momentum in global trade growth. As such, it complements trade statistics and forecasts from the WTO and other organizations. Readings of 100 indicate growth in line with medium-term trends; readings greater than 100 suggest above-trend growth, while those below 100 indicate the reverse.

Please find enclosed the full World Trade Outlook Indicator and the details on the methodology.

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Warm regards,

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